

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7045

BILL NUMBER: SB 428

NOTE PREPARED: Jan 4, 2011

BILL AMENDED:

SUBJECT: Lottery Proceeds for Reggio Emilia Schools.

FIRST AUTHOR: Sen. Head

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State

Summary of Legislation: The bill establishes the Reggio Emilia Grant Fund. It requires \$50,000 of lottery revenue to be annually transferred to the Department of Education (DOE) for deposit in the Reggio Emilia Grant Fund. It requires the DOE to establish a grant program to assist the implementation and expansion of Reggio Emilia programs. It allows school corporations and other providers of early childhood and preschool programs to apply for grants. It also appropriates the money in the Reggio Emilia Grant Fund to the DOE to carry out the grant program.

Effective Date: July 1, 2011.

Explanation of State Expenditures: *Reggio Emilia Grant Program:* The bill requires the Department of Education (DOE) to establish the grant program to assist school corporations and other providers of early childhood and preschool programs that offer a Reggio Emilia curriculum. The bill specifies application procedures and requirements for the grant program and specifies programmatic priorities to be the basis for providing the grants. The DOE should be able to implement this grant program within its current resources.

The bill also establishes the Reggio Emilia Grant Fund to be administered by the DOE. The Fund consists of quarterly transfers of surplus Lottery revenue required by the bill and gifts, appropriations by the General Assembly, and grants. Money in the Fund does not revert to the state General Fund. The bill also specifies that money in the Fund is continuously appropriated to the DOE for its use in carrying out the Reggio Emilia Grant Program.

Explanation of State Revenues: *Lottery Revenue Transfer:* While the bill requires quarterly transfers of \$12,500 (\$50,000 annually) from State Lottery Administrative Trust Fund to the Reggio Emilia Grant Fund,

this would essentially result in a transfer of \$50,000 annually from the state General Fund to the Grant Fund. The transfer would begin in FY 2012.

Under the bill, the \$50,000 transfer to the Grant Fund would be made subsequent to statutorily required transfers out of the Administrative Trust Fund to the Teachers' Retirement Fund and the Pension Relief Fund. This would shift \$50,000 annually in Riverboat Wagering Tax revenue from the state General Fund to the Build Indiana Fund (BIF). This would occur as the reduction of surplus lottery revenue distributed to the BIF would be replaced (under the current funding formula for the BIF) with Riverboat Wagering Tax revenue.

Background Information - Resources Available to the BIF: The Build Indiana Fund (BIF) receives funds from two sources: (1) surplus Lottery revenue and (2) revenues from gaming taxes and pari-mutuel taxes. Under current statute, surplus Lottery revenue in the Lottery Commission's Administrative Trust Fund is first transferred to the Teachers' Retirement Fund (TRF) and the Pension Relief Fund (PRF). Once these transfers are made, the remaining surplus Lottery revenue is distributed to the BIF.¹

Current statute also requires distribution of revenue from the Riverboat Wagering Tax, the Pari-mutuel Wagering Tax, the Pari-mutuel Satellite Facility Tax, the Charity Gaming Excise Tax, and the Charity Gaming License Fee to the BIF. The total annual distribution to the BIF from Lottery, gaming, and pari-mutuel sources is effectively capped at \$250 M. This is because the annual distribution of Riverboat Wagering Tax revenue is limited to an amount equal to \$250 M minus the sum of the surplus Lottery revenue and revenue from other gaming and pari-mutuel taxes distributed to the BIF during that fiscal year. The required amount of Riverboat Wagering Tax is transferred to the BIF from the state General Fund at the end of the fiscal year.

Distributions from BIF: Under current statute, \$236.2 M annually must be transferred from the BIF to the Motor Vehicle Excise Tax Replacement Account (MVETRA) within the state General Fund. Money remaining in the BIF after the MVETRA transfer is available for state and local capital projects. The table below contains actual BIF revenue and spending totals for FY 2009 to FY 2010, with projections for FY 2011 and FY 2012.

¹Beginning in FY 2011, the distribution of surplus Lottery revenue changed from a quarterly distribution to a monthly distribution, with surplus Lottery revenue generated in a month distributed to the TRF, the PRF, and the BIF during the next month. Consequently, 14 months of revenue will be distributed to these funds during FY 2011 (three months from April 2010 to June, 2010 as a quarterly distribution in July 2010; and monthly distributions of revenue from July 2010 to May 2011 distributed as monthly distributions from August 2010 to June 2010). After FY 2011, 12 months of revenue will be distributed in each fiscal year.

Surplus Lottery and Gaming Revenue & Distributions (Millions)*				
Revenues & Distributions	FY 2009 (Actual)	FY 2010 (Actual)	FY 2011 (Projected)	FY 2012 (Projected)
Beginning Balance in BIF	42.0	3.8	2.3	0.8
Surplus Lottery Revenue in Adm. Trust Fund	183.4	183.9	217.7	187.7
TRF Transfer	(30.0)	(30.0)	(35.0)	(30.0)
PRF Transfer	(30.0)	(30.0)	(35.0)	(30.0)
Surplus Lottery Revenue to the BIF	123.4	123.9	147.7	127.7
Surplus Gaming Revenue to the BIF	126.6	126.1	102.3	122.3
Interest	0.0	0.0	0.0	0.0
Total Resources in the BIF	292.0	253.8	252.3	250.8
MVETRA Transfer	(236.2)	(236.2)	(236.2)	(236.2)
General Fund Transfer	(44.0)	0	0	0
Total Transfers	(280.2)	(236.2)	(236.2)	(236.2)
Amount Available for State & Local Capital Projects	11.8	17.6	16.1	14.6
Amount Allotted to State & Local Capital Projects**	8.0	15.3	15.3	
*Updated 1/3//2011 **FY 2011 assumes remaining appropriation amounts under HEA 1001-2009(ss) will be allotted.				

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Lottery Commission.

Local Agencies Affected:

Information Sources: Randhir Jha, State Budget Agency, (317) 232-2971; Auditor of State Revenue Trial Balance..

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